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27 December 1954

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Conversation with the Director of the Budget

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1. As you had arranged, I met briefly with the Director of the Budget on 27 December. I left with him your letter requesting his approval of the release of funds from the CIA reserve as required for materiel procurement under AQUATONE up to the amount of [REDACTED] [REDACTED] was present. Without alluding directly to the ultimate purpose of the project, I explained the necessity to sign contracts rather promptly with our major suppliers and thus to obligate funds. I outlined the form of contract and the part that had been played by the Air Force in working out these arrangements. [REDACTED] indicated that, subject to a further check by [REDACTED] he hoped to concur in your letter by the close of business the same day.

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2. On the afternoon of 27 December I met with the DD/A and [REDACTED] who asked a number of further questions. He appeared to know that the project had to do with overflights and we impressed upon him the extreme closeness with which it was being held. He was mainly interested in the appropriateness of the use of funds from the CIA reserve for a type of procurement not hitherto undertaken by the CIA. By the end of the conversation he appeared satisfied. He made it clear that neither he nor [REDACTED] was concerned with the decision to undertake the project, which they understood already to have been made, but merely with the propriety of the proposed source of funds.

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3. About five o'clock on 27 December, [REDACTED] called me to say that he was ready to approve the release of funds but wished to raise one question with you before so doing. I explained that, since the Lockheed contract was going to be carried to the plant at the end of the week, there was time for him to talk to you before giving final approval. He explained that the question he wished to raise concerned the replenishment of the reserve, presumably at the end of the current fiscal year. He pointed out that it had not been drawn down in so large an amount on any previous occasion and said it was important that this action should not impair the possibility of meeting any future unforeseen emergency need of even higher priority from this source. I believe that his concern is not so much that the reserve would be dangerously low for the balance of the current fiscal year but rather

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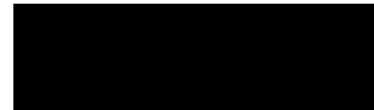
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with the Congressional problem involved in replenishing it. I gather the distinct impression that he will be quite content to accept your assurances on this matter. Aside from this one broad question, he is ready to proceed.

4. I recommend that you call him at your earliest convenience and either discuss this question over the phone or arrange to see him.

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R. M. BISSELL, Jr.
Special Assistant to the Director
for Planning and Coordination

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